



**DEPARTMENT OF HEALTH & HUMAN SERVICES**  
**Health Care Financing Administration**

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**Center for Medicaid and State Operations**  
**7500 Security Boulevard**  
**Baltimore, MD 21244-1850**

January 18, 2001

Margaret A. Murray, Director  
Division of Medical Assistance and Health Services  
P. O. Box 712  
Trenton, New Jersey 08625

Dear Ms. Murray

We are pleased to inform you that your September 26, 2000 application for a SCHIP section 1115 demonstration, as amended by revisions submitted on December 5, 2000 and January 11, 2001, has been approved as project No. 21-W-00003/2-01 for the period beginning January 18, 2001 through January 17, 2006. The approval is under the authority of section 1115(a)(2) of the Social Security Act (the Act) which authorizes the Secretary to regard as expenditures under title XXI State plan cost of a demonstration project, which would not otherwise be included under the title XXI State plan.

Our approval of this demonstration (and the waivers and Federal matching provided thereunder) is conditioned upon compliance with the enclosed special terms and conditions, which set forth in detail the nature, character, and extent of anticipated Federal involvement in the project. The award is subject to our receiving your written acceptance of the award within 30 days of this letter.

All requirements of the SCHIP program expressed in law, regulation, and policy statement are applicable to Demonstration Populations 1, 2 and 3, unless those requirements are expressly identified as not applicable in this letter. The following matching authority is approved for a 5-year period beginning from the date of this letter.

### **Costs Not Otherwise Matchable Authority**

Demonstration Population 1: Under the authority of section 1115(a)(2) of the Act, the following expenditures that would not otherwise be regarded as expenditures under title XXI will be regarded as expenditures under the state's title XXI plan:

Expenditures to provide coverage that meets the requirements of section 2103 of the Act and is equal to the standard Medicaid coverage package, to individuals who: 1) are uninsured custodial parents and caretaker relatives of children eligible under the title XIX State plan or the title XXI State plan; 2) have family incomes at or below 133 percent of the Federal Poverty Level (FPL); 3) are eligible through the section 1931 State plan amendment effective on September 1, 2000 and, 4) were not eligible for Medicaid under the standards in effect on August 31, 2000.

#### **SCHIP Requirements Not Applicable to Demonstration Population 1:**

1. General Requirements, Eligibility and Outreach 2102

The state child health plan does not have to reflect the demonstration population, and eligibility standards do not have to be limited by the general principles in section 2102(b). To the extent other requirements in section 2102 duplicate Medicaid or other SCHIP requirements for this or other populations, they do not apply, except that the state must perform eligibility screening to ensure that the demonstration population does not include individuals otherwise eligible for Medicaid under the standards in effect on August 31, 2000.

2. Restrictions on Coverage and Eligibility to Targeted Low Income Children 2103 2110

Coverage and eligibility for this demonstration population are not restricted to targeted low-income children.

3. Federal Matching Payment and Family Coverage Limits 2105

Federal matching payment is available in excess of the 10-percent cap for expenditures related to the demonstration population and limits on family coverage are not applicable. Federal matching payments remain limited by the allotment determined under section 2104. Expenditures other than for coverage of the demonstration populations remain limited in accordance with section 2105(c)(2).

4. Annual Reporting Requirements 2108

Annual reporting requirements do not apply to the demonstration population.

Demonstration Populations 2 and 3: Under the authority of section 1115(a)(2) of the Act, the following expenditures that would not otherwise be regarded as expenditures under title XXI will be regarded as expenditures under the state's title XXI plan:

Expenditures to provide coverage consistent with section 2103 of the Act for uninsured custodial parents and caretakers of children eligible under the title XXI State plan, when the parents and caretakers have family incomes at or below 200 percent of the FPL and are not eligible for Medicaid. (Demonstration Population 2)

Expenditures to provide coverage consistent with section 2103 of the Act for uninsured pregnant women with family incomes between 185 and 200 percent of the FPL, who are not eligible for Medicaid. (Demonstration Population 3)

**SCHIP Requirements Not Applicable to Demonstration Populations 2 and 3:**

1. General Requirements and Eligibility Standards 2102

The state child health plan does not have to reflect the demonstration population, and eligibility standards do not have to be limited by the general principles in section 2102(b). The state must perform eligibility screening to ensure that applicants for the demonstration population who are eligible for Medicaid are enrolled in that program and not in the demonstration population.

2. Restrictions on Coverage, and Eligibility to Children 2103, 2110

Coverage and eligibility for this demonstration population is not restricted to children.

3. Federal Matching Payment and Family Coverage Limits 2105

Federal matching payment is available in excess of the 10-percent cap for expenditures related to the demonstration population and limits on family coverage are not applicable. Federal matching payments remain limited by the allotment determined under section 2104. Expenditures other than on the demonstration population, remains limited in accordance with section 2105(c).

4. Annual Reporting Requirements 2108

Annual reporting requirements do not apply to the demonstration population.

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Your project officer is Moe Gagnon, who may be reached at (410) 786-0619. Communications regarding program and administrative matters should be submitted to the project officer at the following address: Health Care Financing Administration, Center for Medicaid and State Operations, 7500 Security Boulevard, Mailstop S2-01-16, Baltimore, Maryland 21244-1850.

We extend our congratulations on this award and look forward to working with you during the course of the project.

Sincerely,

/s/

Robert A. Berenson, MD  
Acting Deputy Administrator

Enclosure

**Health Care Financing Administration – Special Terms and Conditions**

**<<< *Project No. #21-W-00003/2-01* >>>**

**I. PREFACE**

The following are Special Terms and Conditions for the award of the New Jersey State Children's Health Insurance Program Section 1115 Demonstration (New Jersey Demonstration) request submitted on September 26, 2000. Demonstration Populations 1, 2 and 3 are defined in the award letter that accompanies these Special Terms and Conditions.

The Special Terms and Conditions have been arranged into two broad subject areas: General Conditions for Approval, and Program Design/Operational Plan. In addition, specific requirements are attached and entitled: General Financial Requirements (Attachment A) and Operational Protocol (Attachment B).

The State agrees that it will comply with all applicable Federal statutes relating to Nondiscrimination. These include, but are not limited to: the Americans with Disabilities Act, title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975.

Letters, documents, reports or other material that is submitted for review or approval shall be sent to the New Jersey Demonstration Project Officer and the Associate Regional Administrator in the New York Regional Office.

## **II. GENERAL CONDITIONS**

- A. The State shall prepare one protocol document that represents and provides a single source for the policy and operating procedures applicable to this demonstration which have been agreed to by the State and HCFA during the course of the waiver negotiation and approval process. The protocol will be submitted to HCFA for approval within 30 days of demonstration's approval date. During the demonstration, subsequent changes to the protocol which are the result of major changes in policy or operation procedures should be submitted no later than 90 days prior to the date of implementation of the change(s) for approval by HCFA. The Special Terms and Conditions and Attachments include requirements, which should be included in the protocol. Attachment B is an outline of areas that should be included in the protocol.
- B. The State will submit a phase-out plan of the demonstration to HCFA 6 months prior to initiating normal phase-out activities and, if desired by the State, an extension plan on a timely basis to prevent disenrollment of enrollees if the waiver is extended by HCFA. Nothing herein shall be construed as preventing the State from submitting a phase-out plan with an implementation deadline shorter than 6 months when such action is necessitated by emergent circumstances. The phase-out plan is subject to HCFA review and approval.
- C. HCFA may suspend or terminate any project, in whole or in part, at any time before the date of expiration whenever it determines that the awardee has materially failed to comply with the terms of the project. HCFA will promptly notify the awardee in writing of the determination and the reasons for the suspension or termination, together with the effective date. The State waives none of its rights to challenge HCFA's finding that the State materially failed to comply. HCFA reserves the right to withdraw waivers at any time if it determines that continuing the waivers would no longer be in the public interest. If a waiver is withdrawn, HCFA will be liable for only normal close out costs.
- D. The State may suspend or terminate this demonstration in whole or in part at any time before the date of expiration. The State will promptly notify HCFA in writing of the reasons for the suspension or termination, together with the effective date. If the waiver is withdrawn, HCFA will be liable for only normal close out costs.
- E. All requirements of the Medicaid and SCHIP programs expressed in laws, regulations, and policy statements, not expressly waived or identified as not applicable in the award letter of which these Special Terms and Conditions are part, shall apply to the New Jersey Demonstration.
- F. The State shall, within the time frame specified in law, come into compliance with any relevant changes in Federal law or regulations affecting the SCHIP program that occur after the demonstration award date. The State may submit to HCFA a request for an amendment to the demonstration to request exemption from changes in law occurring after the demonstration award date.

- G. Demonstration populations 2 and 3 will be subject to the same rules, policies and procedures as the population under the title XXI State plan unless otherwise specified in this award letter. In addition, demonstration populations 2 and 3 will be subject to the rules, policies, and procedures specified in the section 1115 demonstration proposal.

### **III. PROGRAM DESIGN/OPERATIONAL PLAN**

#### **A. Concurrent Operation**

The State's title XIX State plan, as approved, and its title XXI State plan, as approved, will continue to operate concurrently with this section 1115 demonstration.

#### **B. Maintenance of Coverage and Enrollment Standards for Children**

1. The State shall not close enrollment, institute waiting lists, or decrease eligibility standards with respect to the children covered under its title XXI State plan while the demonstration is in effect. If the State closes enrollment, institutes waiting lists, or decreases eligibility standards with respect to SCHIP children, then the demonstration is terminated.
2. The State shall, throughout the course of the demonstration, continue to show that it has implemented procedures to enroll and retain eligible children for Medicaid and SCHIP. The State also shall throughout the course of the demonstration continue to show that it adopted and effectively implemented at least three of the following policies and procedures in its child health programs:
  - Use of a joint, mail-in application and common application procedures
  - Procedures that simplify the redetermination/coverage renewal process by allowing families to establish their child's continuing eligibility by mail and, in the State's separate SCHIP programs, by establishing effective procedures that allow children to be transferred between Medicaid and the separate program
  - Elimination of assets test
  - Twelve-month continuous eligibility
  - Presumptive eligibility

The State may at any time submit to HCFA a request for approval to change the particular policies or procedures used to meet this requirement.

3. In order to continue operation of the demonstration if the State exhausts the available title XXI Federal funds for the claiming period, the State will continue to provide coverage to the approved title XXI State plan separate child health program population and the demonstration populations 2 and 3 with State funds (up to the limit of State's appropriation) until further title XXI Federal funds become available. The State will also continue to provide coverage to the title XIX State plan population with title XIX Federal funds until further title XXI Federal funds become available. All Federal rules shall continue to apply during the period that title XXI Federal funds are not available.



### **C. Enrollment Data Requirements**

The State will provide HCFA with copies of the following enrollment reports quarterly:

- Actual and unduplicated enrollment of the demonstration population, by income, gender, race, and ethnicity. This enrollment information shall be provided to HCFA in hard copy until such time as it can be reported through the SCHIP Statistical Enrollment Data System.
- Number of children whose eligibility for SCHIP or Medicaid was up for redetermination and number of adults whose eligibility for the demonstration was up for redetermination.
- Number of children who were redetermined to be eligible for SCHIP or Medicaid and number of adults who were redetermined to be eligible for the demonstration.
- Number of children who applied for SCHIP or Medicaid and number of adults who applied for the demonstration but were denied for, at a minimum, the following reasons: income; failure to complete the application process; enrollment in other government programs; coverage by private insurance; or residence in another State.
- Number of children who were disenrolled from SCHIP or Medicaid and number of adults who were disenrolled from the demonstration for, at a minimum, the following reasons: increase or decrease in income; failure to complete the renewal process; failure to pay premiums; enrollment in other government programs; purchase of private coverage; or residence in another State.

### **D. General Reporting Requirements**

1. Through at least the first 6 months after implementation, HCFA and the State will hold monthly calls to discuss progress.
2. The State will submit quarterly progress reports, which are due 60 days after the end of each quarter. The reports should include, as appropriate, a discussion of events relating to the demonstration populations that occurred during the quarter that affect the following: health care delivery; the enrollment process for newly eligible adults and pregnant women; enrollment and outreach activities; access; complaints and appeals to the State; the benefit package; and other operational and policy issues. The report should also include proposals for addressing any problems identified in the report.
3. The State will submit a draft annual report no later than January 1 following the end of each Federal fiscal year. The annual report should include documentation of accomplishments; project status, including a budget update; quantitative and case study findings; policy and administrative difficulties; and progress on conducting the demonstration evaluation, including results of data collection and analysis of data to test the research hypotheses. Within 30 days of receipt of comments from HCFA, a final annual report will be submitted.
4. The State shall submit a continuation application by January 1 of each year

(beginning on January 1, 2002).

5. At the end of the demonstration, a draft final report should be submitted to HCFA for comments. HCFA's comments must be taken into consideration by the State for incorporation into the final report. The State should use HCFA, Office of Research and Demonstrations' Author's Guidelines: Grants and Contracts Final Reports (copy attached) in the preparation of the final report. The final report is due no later than 90 days after the termination of the project.

## ATTACHMENT A

### FINANCIAL REQUIREMENTS

1. The State shall provide quarterly expenditure reports using the Form HCFA-21 to report total expenditures for services provided under the approved SCHIP plan and those provided through the New Jersey Demonstration under section 1115 authority. HCFA will provide Federal Financial Participation (FFP) only for allowable New Jersey Demonstration expenditures that do not exceed the State's individual allotment.
2.
  - a. In order to track expenditures under this demonstration, the State will report demonstration expenditures through the Medicaid Budget and Expenditure System (MBES), as part of the routine quarterly HCFA-21 reporting process. Title XXI demonstration expenditures will be reported on separate Form HCFA-21, identified by the demonstration project number assigned by HCFA (including project number extension, which indicates the demonstration year in which services were rendered or for which capitation payments were made).
  - b. All claims for expenditures related to the demonstration (including any cost settlements) must be made within 2 years after the calendar quarter in which the State made the expenditures. Furthermore, all claims for services during the demonstration period (including cost settlements) must be made within 2 years after the conclusion or termination of the demonstration. During the latter 2-year period, the State must continue to identify separately net expenditures related to dates of service during the operation of the section 1115 demonstration on the Form HCFA-21.
  - c. The standard SCHIP funding process will be used during the demonstration. New Jersey must estimate matchable SCHIP expenditures on the quarterly Form HCFA-21B. On a separate HCFA 21B, the State shall provide updated estimates of expenditures for the waiver population. HCFA will make Federal funds available based upon the State's estimate, as approved by HCFA. Within 30 days after the end of each quarter, the State must submit the Form HCFA-21 quarterly SCHIP expenditure report. HCFA will reconcile expenditures reported on the Form HCFA-21 with Federal funding previously made available to the State, and include the reconciling adjustment in the finalization of the grant award to the State.
  - d. The State will certify State/local monies used as matching funds for the demonstration and will further certify that such funds will not be used as matching funds for any other Federal grant or contract, except as permitted by Federal law.
3. New Jersey will be subject to a limit on the amount of Federal title XXI funding that the State may receive on demonstration expenditures during the waiver period. Federal title XXI funding available for demonstration expenditures is limited to the State's available allotment not including any redistributed funds. Should the State expend its available allotment, no further enhanced Federal matching funds will be

available for costs of the separate child health program and demonstration population until the next allotment becomes available. Title XIX Federal matching funds will be provided for demonstration population 1 if the title XXI allotment is exhausted.

4. Total Federal title XXI funds for the State's SCHIP program (i.e., the approved title XXI State plan and this demonstration) are restricted to the State's available allotment and redistributed funds.
5. Total expenditures for outreach and other reasonable costs to administer the title XXI State plan and the demonstration that are applied against the State's title XXI allotment may not exceed 10 percent of total expenditures.

**ATTACHMENT B**

**OPERATIONAL PROTOCOL**

The State will be responsible for developing a detailed protocol describing this demonstration. The protocol will serve as a stand-alone document that reflects the operating policies and administrative guidelines in the demonstration. The protocol will be submitted to HCFA for approval within 30 days of the demonstration's approval date. The State shall assure and monitor compliance with the protocol. The protocol will include descriptions of the following:

1. The administration that will be in place to implement, monitor, and run the demonstration, and the tasks that each entity will perform.
2. How administration of the demonstration will be coordinated with the SCHIP and Medicaid programs.
3. The benefit package provided to the demonstration populations.
4. The delivery system for the demonstration populations, including enrollment practices that facilitate access to the system for family members.
5. The premium assistance program, including the requirements for participation, the process for determining whether the benefit package meets benchmark, the provision of wrap-around services, and policies that ensure that cost sharing limits are not exceeded.
6. The process for determining whether the delivery system is adequate to support the addition of the demonstration populations and a plan for monitoring the system to ensure that it remains adequate.
7. The cost sharing requirements and procedures for ensuring that cost sharing does not exceed the 5 percent limit.
8. The strategy for monitoring or preventing substitution of coverage under group health plans for the demonstration populations.
9. The process for ensuring that care is not interrupted for the approved State plan population or the demonstration populations should the State expend the full amount of the available Federal funds during the demonstration period.
10. The procedures for meeting the financial requirements as specified in Attachment A.